MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017 / 2018 SESSION

DEC5028 – MACROECONOMICS

(Diploma Students Only)

25 OCTOBER 2017
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **11** pages with 3 sections.
2. Attempt all questions in Section A, B and C.
3. Answers for section A and B should be shaded on the OMR sheet provided.
4. For section C, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS

Each question consists of 1.5 marks. Answers for this section should be shaded on the OMR sheet provided.

1. _____ refers to the total quantity of goods and services produced in an economy in a given period.

   A. Macroeconomics
   B. Gross Domestic Product (GDP)
   C. Transfer payment
   D. Aggregate output

2. Which of the followings is **NOT** one of the components in an economy?

   A. Firms
   B. Government
   C. Retirees
   D. Households

3. In the labour market, households _____ labour, and firms and the government _____ labour.

   A. demand; supply
   B. demand; demand
   C. supply; demand
   D. supply; supply

4. _____ is the difference between the value of goods as they leave a stage of production and the cost of the goods as they entered that stage.

   A. Value added
   B. Market value
   C. Total value
   D. Initial value

5. The value of exports minus imports is called _____.

   A. net foreign income
   B. net exports
   C. gross national product
   D. statistical discrepancy

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No	Item	RM (million)
1.	Proprietor's Income	47
2.	Exports	23
3.	Rental Income	15
4.	Imports	7
5.	Depreciation	12
6.	Income earned by the rest of the world	30
7.	Corporate Profit	37
8.	Income earned from the rest of the world	65
9.	Net interest	21
10.	Compensations of Employees	87

Table 1

6. Based on Table 1, the value of national income is _____.

   A. RM344 million
   B. RM337 million
   C. RM272 million
   D. RM207 million

Continued...

Referred to Figure 1 to answer Question 7 and 8:

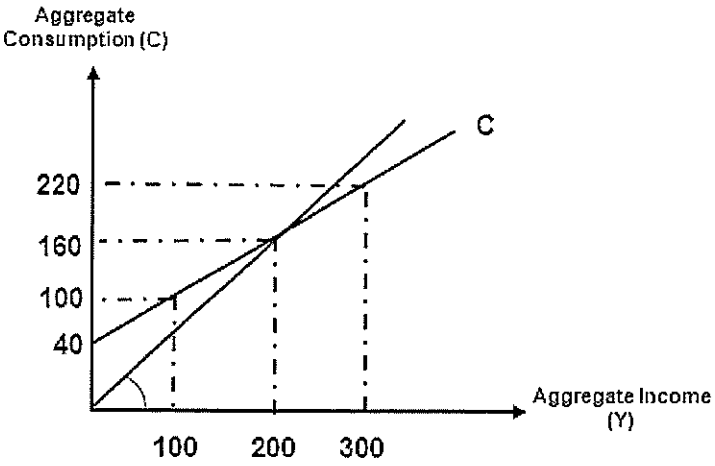

Figure 1

7. Refer to Figure 1, the equation for aggregate consumption function is _____.

   A. C = 40 + 0.6Y
   B. C = 40 + 1.2Y
   C. C = 12 + 0.6Y
   D. C = 12 + 1.2Y

8. Refer to Figure 1, the marginal propensity to save is _____.

   A. 0.2
   B. 0.4
   C. 0.6
   D. 0.8

9. In a 3-sector (households, firms and government) economy, the aggregate consumption function is derived as _____.

   A. C = a + bY
   B. C = a - bY_d
   C. C = a + b (Y-T)
   D. C = a + b (Y+T)

10. Stem city collected a total of RM680,000 taxes and spent RM890,000. Stem city had a budget _____ of _____.

    A. surplus; RM210,000
    B. deficit; -RM210,000
    C. surplus; RM1,570,000
    D. deficit; -RM1,570,000

Continued...

11. If MPC = 0.60, the tax multiplier will be _____.

A. 0.40
B. -0.40
C. 1.5
D. -1.5

12. Which of the followings is **NOT** one of the factors that influenced aggregate demand?

A. Expectations about future income.
B. The advancement in technology.
C. The world economy.
D. Fiscal policy and monetary policy

13. Which of the following factors is possible to trigger a cost-push inflation?

A. An increase in government expenditures.
B. A decrease in tax rate.
C. A decrease in interest rate.
D. An increase in the money price of raw materials.

14. Which of the followings caused a movement along the aggregate demand curve?

A. A decrease in wage rate.
B. An increase in price.
C. A decrease in interest rate.
D. An increase in government expenditures.

Referred Table 2 to answer Question 15 to 17:

Item	Amount
Labor Force	251.1 million people
Employment	243.3 million people
Working age population	286.2 million people
Under age of 16	102.3 million people

Table 2

15. The unemployment rate is _____.

A. 4.5%
B. 3.8%
C. 3.1%
D. 2.2%

Continued...

16. The labor force participation rate is _____.

A. 65.8%
B. 70.5%
C. 87.7%
D. 89.3%

17. The total population is _____.

A. 882.9 million
B. 537.3 million
C. 388.5 million
D. 353.4 million

18. A fall in the value of one currency in terms of another currency is called _____.

A. foreign exchange rate
B. trading
C. currency depreciation
D. currency appreciation

19. Which of the following is **NOT** a type of account of balance of payments accounts?

A. Savings account.
B. Current account.
C. Capital and financial account.
D. Official settlements account.

20. _____ occurs when a country's exports of goods and services are less than its imports of goods and services.

A. Trade surplus
B. Trade deficit
C. Recession
D. Economic growth

[TOTAL 30 MARKS]

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SECTION B: TRUE/FALSE QUESTIONS

Each question consists of 1 mark. Answers for this section should be shaded on the OMR sheet provided.

Mark "A" for true statement and "B" for false statement.

21. Deflation refers to a period when there is a decrease in the overall price level.

22. GDP is usually measured on a monthly basis.

23. Households with more wealth are likely to spend more as compared to households with lesser wealth, *ceteris paribus*.

24. Monetary policy is also known as budget policy.

25. Loans are one of the liabilities of all commercial banks.

26. A Keynesian macroeconomist believes that the economy is self-regulating and always at full employment.

27. The unemployment rate of Malaysia in 2016 was more than 10%.

28. Real GDP per person is real GDP divided by total number of labor force.

29. According to the Rule of 70, an economy that grows at 7 percent a year doubles its in 10 years.

30. The foreign exchange market is the market in which the currency of one country is exchanged for the currency of another, this market is made up by a team of bank professions.

[TOTAL 10 MARKS]

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SECTION C: STRUCTURED QUESTIONS

Answers for this section should be written in the answer booklet provided.

QUESTION 1

a) State if the following activity should be "included" or "excluded" from the calculation of GDP.

i. Melaka State Government organised a blood donation campaign. (0.5 mark)
ii. The underground market of foreign currency exchange. (0.5 mark)
iii. Amin bought a new bungalow at Shah Alam. (0.5 mark)
iv. The income that received by Chef Steve who worked at Symphony Restaurant in Kuala Lumpur. (0.5 mark)

b) Sivanesh is a Malaysian who stayed in Johor, however, he earns income from working in Singapore and he is travelling to Singapore to work every day. Sivanesh spent all his incomes in Malaysia. Sivanesh's incomes and spending should be included in which country's GDP? Explain your answer. (5 marks)

c) Define GDP Deflator. (2 marks)

Year	Nominal GDP	GDP Deflator
2014	RM200 million	102
2015	RM225 million	125
2016	RM185 million	98
2017	RM205 million	113

Table 3

d) Based on the data from Table 3, compute Real GDP for Year 2015 to 2017. (6 marks)

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Income (RM)	Consumptions (RM)	Savings (RM)	MPS
2,500	2,560	-60	-
2,650	2,650		
2,800	2,700		
3,000	2,850		
3,200	2,950		
3,350	3,050		

Table 4

e) Based on the data from Table 4, compute savings and MPS for all level of income. Note: Copy the table into your answer booklet. (5 marks)

[TOTAL 20 MARKS]

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QUESTION 2

"MILLENNIALS' increasing preference for online shopping has led to a 26% rise in credit card spending among card members aged between 26 and 35 years old in the first six months of 2016, according to recent data from United Overseas Bank (M) Bhd. This is compared with the same period the year before..."
Source: 30th November, 2016, The Star, "Online shopping sees surge in credit card spending".

"A total of 1,022 credit card holders are declared bankrupt for failing to settle credit card debts in the period from January to June this year. Deputy Finance Minister Datuk Othman Aziz told the Dewan Rakyat that the amount represented 0.03 per cent out of the 3.6 million credit card holders in the country. Hence, he said Bank Negara Malaysia (BNM) had introduced several conditions for the issuance of credit cards to ensure only those eligible were given credit card facilities. "Minimum income eligibility for credit card holders is raised from RM18,000 annually to RM24,000 since March 17, 2011...."
Source: 24th November, 2016, News Straits Times, "Over 1,000 credit card holders declared bankrupt".

a) Based on the statement above,

   i. In your opinion, is credit card a necessity? State **TWO (2)** reasons to justify your answer. (3 marks)

   ii. Explain **TWO (2)** long term impacts towards the economy if there is an increasing trend of bankruptcy in Malaysia. (4 marks)

b) Explain the structure of banking system in Malaysia. (4 marks)

c) Name **TWO (2)** local commercial banks in Malaysia. (2 marks)

d) Name **TWO (2)** oversea commercial banks in Malaysia. (2 marks)

e) Who is the Finance Minister of Malaysia for year 2017? (1 mark)

f) In which month usually Malaysian Budget will be announced? (1 mark)

g) Do you think that Budget for a nation is important? Justify your answer. (3 marks)

[TOTAL 20 MARKS]

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QUESTION 3

"Yet another factory closes, 237 out of jobs"

Announcement that Tien Wah Press Holdings is closing its printing plant in Malaysia follows reports that Seagate and Western Digital are relocating to Thailand.

21st JULY 2017, KUALA LUMPUR: "Tien Wah Press Holdings Bhd plans to close its 57-year-old printing business in Petaling Jaya under its wholly-owned subsidiary Tien Wah Press (Malaya) Sdn Bhd (TWPM). It told Bursa Malaysia in a filing that this followed the closure of the Petaling Jaya factory of its major customer, British American Tobacco Group. Tien Wah will now shift printing done here to its factories in Vietnam and Indonesia. The company said 237 employees would be made redundant.

News of this latest closure comes on the heels of the planned closure of two major factories in Penang. It was reported on July 15 that hard disk maker Seagate Technology Plc and computer data storage firm Western Digital Corp (WD) planned to relocate the bulk of their operations to Thailand.

Seagate is expected to close its plants in Penang and Negri Sembilan, affecting more than 3,000 Malaysian staff. WD is expected to lay off 400 Malaysian staff and 800 foreign workers from its Penang manufacturing site. Tien Wah told Bursa Malaysia: "Following the cessation of its major customer's operation in Malaysia and [its] subsequent shifts in production facilities to Singapore, Korea and Indonesia, the group acknowledged that there is no requirement for duplication of a printing base in Malaysia. "Hence, [the group] had initiated transfers of its majority production volumes from TWPM to Vietnam and Indonesia to improve its strategic position to service the customer and reduce the group's operating cost over the longer term. "The board is of the view that the re-organisation of its production footprint which involves the cessation of TWPM's printing business is therefore timely"....."

Source: http://www.freemalaysiatoday.com/category/nation/2017/07/21/yet-another-factory-closes-237-out-of-jobs/

a) What was the main reason that Tien Wah Press Holdings Bhd close its business in Malaysia? (2 marks)

b) List **TWO (2)** countries that TWPM is shifting to for their printing which had been done in Malaysia. (2 marks)

c) Apart from TWPM, list another **TWO (2)** factories that close or relocate their plant from Malaysia. (2 marks)

Continued...

d) Explain **TWO (2)** impacts on how will the closure or relocation of these factories affect economy of Malaysia? (6 marks)

e) Explain **THREE (3)** possible factors that can stimulate economic growth of Malaysia. (6 marks)

f) What is the indicator to measure the economic growth? (1 mark)

g) What does economic growth rate reflect? (1 mark)

[TOTAL 20 MARKS]

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